



Information Technology Investment Board Finance & Audit Committee

DRAFT MINUTES

June 6, 2005

Members Present:

Mary Guy Miller, Acting Chair
Jimmy Hazel
Walter Kucharski

Members Absent:

Jim McGuirk
Scott Pattison -

ITIB Members Present:

The Honorable Eugene Huang

VITA Staff Present:

Lem Stewart, Commonwealth Chief Information Officer
Austin Matthews
Peggy Ward
Barb Rudolph
Suzanne Piland

Call to Order:

Mary Guy Miller, Acting Chair, called the meeting of the Information Technology Investment Board Finance and Audit Committee to order at 1:05 p.m. Three of the five member committee members were present.

Approval of Minutes:

On motion made, seconded and unanimously carried, the minutes of the April 11, 2005 meeting were approved as presented.

Finance Report

The Finance Report, presented by Austin Matthews, provided information on April 2005 Financial Results, Cash Flow Update, Indirect Costs Analysis, Final Action on the 2004-06 Budget Amendments, Rates for New and Shared Services, FY2006 Budget Development and the Savings Methodology.

April 2005 financial results:

The \$6.1 million received in January 2005 for start-up costs for consolidation and Independent Verification and Validation (IV&V) was reduced by \$671,200 to meet e-mail savings requirements and has been reflected in the April results.

Prompt pay percentages of 96.8% for March and 98.9% for April were the highest compliance rates since transition.

Cash Flow Update

At the close of April, VITA's cash deficit was reduced from \$1.5 million to approximately \$400,000 reflecting some relief as a result of the change to 10 day payment terms. A cash flow analysis has been prepared for a Treasury loan good for one year. A Line of Credit is also under consideration for submission with the next budget request for General Assembly approval. Mr. Kucharski suggested the line of credit approach as the cash flow continues as an issue.

Final action on the 2004-06 Biennial Budget Amendments

Mr. Matthews noted that the Governor's veto of Item 463 budget had restored use of prior year end fund balances to administratively repay the treasury loan. Mr. Kucharski suggested further questions might be raised by JLARC where Mr. Stewart is scheduled to make a presentation on June 13.

Rates for New and Shared Services

Mr. Matthews reviewed the progress of new rates recently approved by the Internal Service Fund subcommittee of JLARC and scheduled for final approval on June 13. JLARC may also consider an annual review of rates with a more flexible process to adjust and add rates in the interim.

Two New rates and one rate reduction were proposed for internal service funds:
Commonwealth Seat of Government Metropolitan Area Network (MAN) – data ports (\$8.06)
Commonwealth Seat of Government MAN – VOIP ports (\$1.18)
Audio Teleconferencing – toll free service option – rate reduction (\$.15/minute)

The MAN rates resulted from the shift of a network from DGS to VITA. These costs were formerly included in the charge for rent and should be of minimal impact to customers.

On motion duly made, seconded and unanimously carried, the ITIB Finance and Audit Committee approved the proposed rates for submission to the ITIB its June 2005 meeting, and subsequent submission to JLARC.

Staff is finalizing a plan for a shared services rate package to be presented for approval at the August meeting. This will move agency support from direct bill to a shared services environment. This is needed to gain flexibility, particularly in the new services arena. Under this model, the first phase would be for billing the personnel cost to support the services, with all other costs (non-personnel in nature) continuing under the direct-bill methodology. Subsequent review with customer agencies in May offered a number of productive suggestions to simplify the process and improve equity in the rates. Mr. Kucharski suggested a timesheet approach with billing adjustments when staff was diverted to non-routine assignments. Mr. Stewart suggested that the structure include a periodic review with the APA staff.

FY2006 Budget Development

VITA directors and the staff of Financial Management Services have completed the development of operating budgets and calculations of projected revenues for the 2006 fiscal year beginning July 1. Mr. Matthews distributed a summary of projections for operating revenues and expenses for FY 05 and 06. Salary

increases approved by the General Assembly for FY05 were absorbed in existing agency budgets without changing rates.

Budgets for 06-08 will be submitted to the Finance and Audit Committee in August for approval by the ITIB in September. Staff will also prepare an agency advisory as a public document to help agencies prepare for 06-08.

On motion duly made, seconded and unanimously carried, the ITIB Finance and Audit Committee approved the FY06 budget for submission to the ITIB its June 2005 meeting.

Savings Methodology

Mr. Matthews distributed copies of the proposed "VITA Initiatives Benefits Methodology" along with copies of the associated templates. The enabling legislation called for the development of this methodology for use with the Infrastructure Fund with the approval by the ITIB and the Secretary of Finance. The methodology was reviewed by the team from VITA, staff from APA, JLARC, DPB and the Secretary of Finance. It is also a requirement in the APA action plan with anticipated completion by June 30. It is intended to validate the savings resulting from the implementation of IT initiatives. A prototype of the methodology was applied in the licensing consolidation, as well as for contract negotiations. It was suggested that the ITIB receive a presentation at its next meeting with an application demonstrated.

On motion duly made, seconded and unanimously carried, the Finance and Audit Committee agreed to forward the "VITA Initiatives Benefits Methodology" to the ITIB for approval at its June 2005 meeting.

Audit Report

2005 APA Performance Audit Actions Update

Ms. Ward reviewed the June 2005 status update and noted that 3 of the 15 items have been completed; one since the last Finance and Audit Committee meeting. Ms. Ward stated that 3 items (#1, 4 & 13) have revised due dates. The remaining 9 recommendations are reported to be on schedule.

2004 APA SAS 70 Audit Actions Update

Of four recommendations, three are complete and the one remaining is on target for completion by 12/31/05.

Internal Audit Services Activities

Ms. Ward presented the Summary of Audit Workplan 2005. She stated that the Small Purchase Charge Card Audit has been completed. There are 7 major audit results of which the primary one is to increase VITA's usage rate. Ms. Ward provided the 2005 Small Purchase Charge Card Review Action Plan.

On motion duly made, seconded and unanimously carried, the Finance and Audit Committee approved the 2005 Small Purchase Charge Card Review Action Plan.

Peggy Ward updated the members on efforts to staff Internal Audit Services. The Senior Auditor position will be recruited a second time and interviews are scheduled

for the IT auditor position. The start of both the Security Services Audit and Telecommunications audit will be delayed due to additional recruiting time.

Other Business

None

Public Comment

None

Adjourn

On motion duly made, seconded and unanimously carried, the committee meeting adjourned at 2:30 p.m.